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DE RUEHMO #3366/01 3251449
ZNY CCCCC ZZH
P 201449Z NOV 08
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 0828
INFO RUCNCIS/CIS COLLECTIVE PRIORITY
RUEHJD/MOSCOW POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L MOSCOW 003366

SIPDIS

E.O. 12958: DECL: 11/21/2018
TAGS: PGOV PHUM PINR RS SOCI
SUBJECT: TANDEM FOCUS ON ECONOMIC CRISIS AT UNITED RUSSIA
CONGRESS

REF: A. MOSCOW 3328
B. MOSCOW 3243

Classified By: DCM Eric Rubin. Reason: 1.4 (d).

¶11. (C) Summary. Both President Medvedev and Premier Putin honed in on economic issues as the main challenge facing Russia today, with Putin outlining a number of measures to bolster economic performance and mitigate the impact of the deepening crisis. Instead of the political intrigue that had dominated the speculative press about a potential shake-up in the tandem, the two speeches provided an opportunity for Medvedev and Putin to play their respective roles: Medvedev emphasizing values and political reform, Putin nailing down details about the government's plan for supporting the economy. Neither touched seriously on foreign policy issues and avoided the militant rhetoric that had characterized their public pronouncements earlier this fall. Ultimately, the tandem is "on message" that difficult economic times are ahead, but seeks to reassure that the government has resources and the will to mitigate the worst affects -- there will be no repeat of the economic shocks of the 1990s. Their success in achieving those goals with the tools at hand remains an open question, as noted in our reporting on their crisis mitigation program. End Summary.

Medvedev - Mostly Pabulum

¶12. (SBU) Medvedev and Putin walked into the Gostiniy Dvor hall together, with Putin taking the gavel to call the session to order and introduce the president. Medvedev comments were brief; he essentially thanked United Russia for its support -- praising them as the "party of power" -- and reiterated the themes of his address to the Federal Assembly (Ref B). He stated that "overcoming the negative consequences of the global economic crisis" was the greatest challenge facing the administration and he called on the party to continue its work in support of the policy agenda, particularly in meeting the needs of everyday Russians.

¶13. (C) The optics of Medvedev's speech and the way Putin acted toward the president appear to have been designed to reinforce the official hierarchy. Despite press reports that Putin would address the nation via television, only Medvedev's speech was aired on the state-controlled television. Camera shots of the opening ceremonies captured Putin rising quickly to his feet to formally welcome the president to the congress -- an adherence to protocol before the public and the elite. Putin also used his address to underline his support for Medvedev's reforms, outlined in the president's address to the Federal Assembly.

Putin - Facing Reality?

¶14. (C) Putin's address centered on the message that the government was aware of the deepening economic crisis in

Russia, but had a strategy for mitigating the worst affects on the public. That plan appears to be based on the idea of "circling the wagons" and relying primarily on Russian resources to stimulate the economy and to protect, as much as possible, the quality of life gains made over the past 8 years.

15. (C) As always, Putin demonstrated a mastery of detail as he outlined a series of measures to strengthen the economy. He highlighted the military-industrial sector as a priority and called for both restructuring, to better meet the needs of the army and export markets, and a 50 billion ruble investment. Tax incentives, including a reduction in corporate taxes, and a re-jiggering of the tax calculation formulas are also on the table

16. (C) The main thrust of Putin's message appeared to be directed at the people, seeking to assuage popular concerns about the security of their savings, their salaries, and their future. (Although we admit that it seems strange that his address was not televised and instead was given to the loyal elite.) He asserted that plans to increase pensions by 50% over the next two years would be implemented, committed to maintaining state salaries and pensions at the current level, and called for an increase in unemployment payments. Moreover, he emphasized the government's efforts to preserve wealth by guaranteeing 98.5% of people's savings and by using reserves to support the ruble. His closing comments -- that his government would work to shield the population from economic shocks, like those that occurred in 1991 and 1998 -- gave an indication of the administration's focus on calming public panic and maintaining social order.

Not Much Foreign Policy

17. (C) The congress was notable for its focus on domestic matters. Putin referred only twice to the United States in his remarks, both times in relation to the global financial crisis; Medvedev avoided any reference to foreign matters. The only direct criticism came from Duma Speaker Boris Gryzlov, who referred to the youth of Ukraine and Georgia having been misled by people "from across the ocean," something that will never happen in Russia. At a roundtable hosted by Duma member Konstantin Kosachev prior to the main sessions, anti-American remarks came from party representatives from South Ossetia and Abkhazia, who criticized the U.S. for its support for President Saakashvili. The most vitriolic commentary was provided by former Serbian PM Kostunica, also a guest at the United Party Congress. He focused his remarks solely on Kosovo, launching a blistering condemnation of the United States, concentrating on U.S. activities from 2005-2008, leading to the recognition of Kosovo.

From the Gallery

18. (C) We happened to be seated with some members of the party's Executive Committee and regional leaders during the Medvedev, Putin and Duma Speaker Boris Gryzlov presentations to the congress. Party members listened attentively at the beginning of Putin's speech, but began to lose interest as the remarks dragged on. His exclusive focus on domestic economic matters elicited mixed reactions from those around us. Some, including Deputy Director for Analysis and Planning Andrey Santenov told us that the measures proposed corresponded to what he and others understood to be ideas being proposed by regional political and business leaders. When Putin turned to issues of taxes, there was strong approval, which dissipated into mild grumbling when he spoke of additional state funding for the defense industry. And when Putin pledged additional assistance to the unemployed, there was further talk - first, of surprise that Putin would recognize the fact that unemployment is growing, especially in the regions, and second that the government would provide additional resources for the unemployed.

¶9. (C) The delegates noted that Putin had focused on small and medium sized businesses in his remarks as has been recommended by regional political and business leaders (Ref A). More than anything, they were surprised that Putin outlined so many measures that the government plans to take, confirming that the crisis is hitting average Russians, but also demonstrating that United Russia understands this and will use its Duma majority to get through measures to help.

Old Business

¶10. (C) The party congress also officially endorsed the October decision by the leadership of the United Russia and Agrarian parties to unite. Agrarian Party leader Plotnikov delivered a strong endorsement of United Russia party activities and of the leadership of Medvedev and Putin. Several of the leaders of his party, including some from the regions, were elected to the party's high council. Plotnikov also announced that more than 45,000 Agrarian party members had already transferred their membership to United Russia.

¶11. (C) As expected, the party leadership made a great deal of the fact that the party is attracting young people, and that it is promoting younger people to more senior ranks. Party war-horses, like Moscow Mayor Luzhkov who, despite his public rebuke from Medvedev for his November 17 comments that governors should be elected, not appointed, co-chaired working sessions of the congress with Gryzlov, were out in force, and will continue to occupy positions on the party's national council.

Comment

¶12. (C) Our initial assessment of the meat of Putin's speech is that there is little new proposed here -- much of what he discussed was included in the 55 initiatives released last week. Uralsib financial analyst Chris Weafer described the message as the "Don't panic, (but pray) and noted that many of the promises Putin made will be difficult to keep unless oil prices rise. He figured that Putin was continuing to base his plan on \$75 per barrel oil, while the more cautious Finance Minister Kudrin appears to use a \$50 per barrel in his more pessimistic calculations.

BEYRLE